

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Complaint on First-Class Mail
Service Standards

Docket No. C2001-3

DECLARATION OF CHARLES M. GANNON

I, Charles M. Gannon, hereby declare, under penalty of perjury, that the following statement submitted in Postal Rate Commission Docket No. C2001-3 is true to the best of my information, knowledge and belief:

1. I am presently employed by the United States Postal Service as an Operations Specialist in the office of Service Management Policies and Programs of the Operations Planning and Processing Department. I have been employed in this position since 1992. I began my postal employment in 1965 as a distribution clerk and was promoted to my first management position in 1971 as an initial level supervisor. During the next 19 years, I held various management positions of increasing responsibility in the field, including being the permanent or temporary Manager of Mail Processing Operations in five (5) of our 24-hour-a-day Processing Plants in the Metropolitan Washington DC area.

2. Since at least 1992, and for all times relevant to the issues raised in this proceeding, I have been employed in Operations Planning and Processing Department or in one of its predecessor organizations. A primary responsibility of Service Management Policies and Programs has been the review and establishment of service standards between the current 849,106 3-digit ZIP Code Origin-Destination pairs for each of the various mail classes, including First-Class Mail. Since 1995, I have been the National Program Manager for USPS Service Standards, working directly under the Manager, Service Management Policies and Programs, who is responsible for this function. During 9 months of 2000, I also served as the Acting Manager of Service

Management Policies and Programs, reporting directly to the Vice President of Operations Planning and Processing. I served initially as the National Team Leader, and later as the National Project Manager, for the recent effort to finalize adjustments to our 2 & 3-Day First -Class Mail Service Standards. As such, I have had the primary responsibility for executing the changes in Service Standards made during 2000 and 2001 that are at issue in this proceeding.

3. During 1990 and 1991, I was employed as an Operations Specialist, Sr. in the office of Distribution Networks in the Delivery, Distribution and Transportation Department which was the predecessor function responsible for implementing the *Service Standard Realignment Plan submitted for review in Docket No. N89-1*. All references to Service Standards below will be to those for First-Class Mail.

4. Consistent with the scope of Phase 1 of the Service Standard Realignment Plan reviewed in Docket No. N89-1, the Postal Service began to initiate changes that would shift service standards for numerous 3-digit ZIP Code area pair combinations from overnight to 2-Day service and *vice versa*. To the best of my recollection, the initiation of these changes occurred in the latter half of 1990 and implementation may have continued into early 1991.

5. While I was not one of the leaders in the 1990-91 realignment effort, and only served to provide relevant statistical analysis to support the service standard decision-making process, my recollection of Phase 1 was that it was a very cumbersome, paper-oriented system in which Division offices submitted proposed changes for review to the Regional Offices for consolidation and review, for subsequent presentation to Headquarters. I estimate that there were only approximately 6-8 people at Headquarters who shared the responsibility for reviewing and approving proposed changes for the hundreds of thousands of 3-digit ZIP Code area origin-destination pairs. To the best of my recollection, the process generally tended to follow the description reflected in the Docket No. N89-1 testimonies of witnesses Lazerowitz (USPS-T-1) and Potter (USPS-T-2).

6. According to the realignment plan presented to the Postal Rate

Commission in Docket No. N89-1, Phase 2 was to involve the implementation of changes that would shift the service standards between many of the remaining 3-digit ZIP Code area pairs from 2-day service to 3-day service or *vice versa*. Toward the conclusion of Docket No. N89-1, the Postal Service had indicated that it would initiate the Phase 2 changes upon completion of Phase 1, but after necessary mail processing and transportation changes were put in place to ensure the effectiveness of the service standard changes intended for Phase 2. To the best of my recollection, a plan for these changes was developed and some 2-Day and 3-Day service standards changes were implemented in 1991. It was intended that when all 2-Day and 3-Day changes were implemented, they would be reviewed in order to determine if they were consistent with the objectives of the realignment plan. However, to the best of my recollection, no such evaluation took place then and subsequent to the 2 & 3-Day service standard adjustments made then, there were no significant additional changes until those at issue in this proceeding.

7. Beginning in the fall of 1992, all Postal Service Headquarters departments were required to submit administrative reorganization and personnel reduction plans for review by the Postmaster General. As a result of the reorganization plan approved for the existing Delivery, Distribution and Transportation Department, a significant number of employees in that functional group at Headquarters either transferred to other postal positions in the field or in other postal Headquarters departments, retired early or otherwise left postal employment. As a part of said plan, the Delivery, Distribution and Transportation Department was dissolved, and the subordinate Distribution Networks function was reassigned to a new group whose primary overall function was strictly Transportation. I was reassigned to a newly created unit named Service Policies and Programs, under the new Operations Support Department. Oversight and administration of the Service Standards, and any related realignment processes, that had previously resided in Distribution Networks office, did not move to the new Distribution Networks office, but moved along with me to the newly created Service Policies and Programs group. Sometime subsequent to 1994, the Service Policies and Programs office was renamed "Service Management Policies and Programs," and during another later reorganization was shifted to the Workforce Planning and Service

Management Department, where it retained its responsibility for Service Standards oversight. Sometime between 1997 and today, the Service Management Policies and Programs group additionally shifted within the organization to be under the Operations Support Department, and subsequently under the Operations Planning and Processing Department, where it remains today.

8. To the best of my recollection, as I and the remaining personnel in Service Management Policies and Programs were adjusting to the assumption of our various *new responsibilities and the new chain-of-command*, a number of different operational programs assumed priority and there were no additional efforts made to review the overall status or results of the earlier Docket No. N89-1 implementation phases, to see if any final adjustments needed to be made.

9. Between 1992 and 1995, my work in Service Management Policies and Programs was only peripherally-related to the service standards, as I served, primarily, as the National Program Manager for Second-Class Mail (now called Periodicals) and our Bulk Business Mail (now called Standard Mail) National Color Coding Practices. In 1995, during an intra-office realignment of duties, I became the National Program Manager for USPS Service Standards.

10. A major thrust of these reorganization efforts was to compress the postal management organizational structure, to eliminate links in the chain of command between local post offices and Headquarters. Immediately below the Headquarters level, *Regional (now Area) offices were increased in number and the next 2 lower levels of management (Division offices and Management Sectional Centers-MSCs) were eliminated*. Below that level, our Processing Plants now report directly to the Area offices. As a result of these changes, the Area Offices or their subordinate Processing Plants assumed many of the responsibilities of former Division/MSC offices.

11. I mention Regional, Division and MSC offices in particular because each of these management levels originally had a significant role in the original plan for implementing the realignment plan reviewed in Docket No. N89-1. As reorganization occurred in the early-to mid-1990s, I recall that there was some uncertainty and inconsistency regarding where the local responsibilities for Service Standards ended up from Area to Area. In some instances, they were consolidated up the chain-of-

command to the Area offices. In other cases, they were consolidated down the chain-of command to the Area Distribution Center or Processing Plant level. In many cases, it appeared that the responsibilities, initially, followed the employees who were most experienced with them because of the expertise they had developed, regardless of whether these employees went up or down the chain of command as a result of reorganization.

12. As a part of the 1992 and subsequent reorganizations at Headquarters through the mid-1990s, it was determined that certain policy implementation and operational decision-making responsibilities formerly reserved to Headquarters managers should be de-centralized and delegated to lower levels of management. As a result, local mail processing plants were typically allowed to establish their own Clearance Times (CTs) for finalizing outgoing Originating Mail and their own Critical Entry Times (CETs) for processing Destinating Mail, as they deemed appropriate for their individual facilities. A CT is the time by which all the Originating Mail in a Processing Facility must be completely processed and ready for final dispatch, and a CET is the last planned time which an incoming (receiving) facility can accept mail and still be expected to make subsequent delivery within the scheduled service standard. During this same time frame, in the years between the initial implementation of Phase 2 and the present finalization, the Postal Service also experienced problems with commercial air performance that necessitated that we purchase more costly "dedicated" air transportation to move mail between certain Pacific, Western, and Southwestern cities.

13. In 1998, during my tenure as National Program Manager for USPS Service Standards, I worked under the direction of Joseph Harris who, as Manager of Service Management Policies and Programs, worked for John Rapp, who was, at that time, the Acting Vice President of Workforce Planning and Service Management Department. Mr. Rapp, at the behest of the Chief Operating Officer, William Henderson, was tasked with responsibility for review of the status of our First-Class Mail service standards to ensure that the standards were fair, equitable and achievable on a consistent basis, which was the intended outcome of the realignment plan reviewed in Docket No. N89-1. The project was assigned to Mr. Harris who was to solicit input from

all 10 of our Area offices. A National Review Team, domiciled in Washington DC, was formulated with myself designated as Team Leader. Under the guidance of Mr. Harris, we were to review the existing FCM standards, using the Baldrige Principles of "Align & Standardize" to determine if they were fair, equitable and achievable and, if necessary, develop a process for the finalization of the 1990-91 realignment efforts under Docket No. N89-1. As a part of that review, Mr. Harris and I reviewed the realignment plan that had been submitted to the Commission in Docket No. N89-1. After analyzing the state of our existing service standards, and the feedback from our National Team, we concluded that Phase 1 (the changes between overnight and 2-Day service standards) had essentially been completed. However, we also concluded that any implementation of Phase 2 (the changes between 2-Day And 3-Day service standards) that had occurred had been sketchy at best. Consequently, during 1998, we reviewed the goals of the realignment plan and sought legal counsel regarding how we might go about making finalizing adjustments to service standards in a manner consistent with the intent of Phase 2.

14. In 1999, Mr. Harris added an internal National Transportation Team to our working group to determine whether there were any transportation impediments to implementing workable exchanges between 2-Day and 3-Day Service Standards. We were aware that a critical element to the successful implementation of the Phase 2 service standard changes would be making sure that they were preceded by any necessary local mail processing, dispatch, and transportation adjustments that would make the service standard changes feasible.

15. Coordination with that team revealed the existence of several potential impediments to the establishment of meaningful Phase 2 service standard changes. First, it had become apparent to the managers of our mail transportation network that commercial air transportation service, upon which the Postal Service was substantially dependent for meeting many 2-Day and 3-Day service standards at the time, was more erratic and less reliable than historically had been the case, with a more significant impact on 2-Day mail. As a consequence, an unsatisfactory level of First-Class Mail 2-Day service standard performance was deemed to be attributable to the Postal Service's dependence on commercial air transportation to meet many such service

standards. Second, we also discovered a lower than expected level of internal discipline and coordination as a result of our locally-established mail processing Clearance Times (CTs) and Critical Entry Times (CETs), which, consequently, impeded our ability to consistently exchange mail, particularly 2-Day mail, between postal facilities. In addition to the impact of airline performance, these non-standardized CTs and CETs were believed to also be significant contributors to our inconsistent level of 2-Day First-Class Mail service performance.

16. During 1999, it became apparent that if the Postal Service were to finalize the Phase 2 service standard changes in accordance with the objectives of the realignment plan reviewed in Docket No. N89-1, we would have to accomplish two things operationally. First, consistent with the objectives for mail with a 2-Day service standard, we would want to rely less on commercial air transportation and more on surface transportation to reach destinations within the State of origin and those of nearby States within reasonable reach. Second, we would want to ensure that mail processing was more disciplined from plant-to-plant, so that Clearance Times, and Critical Entry Times were established in each plant that, in turn, allowed the postal network as a whole to move mail in a more coordinated and consistent fashion. To this end, we established National parameters regarding CTs and CETs which mandated that all our Processing Plants would be required to clear their Originating mail by a National "No Later Than" (NLT) CT time, and that, conversely, they could not require that other facilities reach their destination Area Distribution Centers "No Earlier Than" (NET) a specified National CET. This enabled us to establish "minimum" and "maximum" windows for transportation between Originating and Destinating processing facilities, thus being better able to consistently plan transportation across our national network.

17. In 1998, we began to make the operational changes described above in paragraph 15 and we, subsequently, finalized them by establishing the National mandates for NLT CTs and NET CETs which became effective on May 22, 1999. At the same time, my team began the process of trying to determine what adjustments between 2-Day And 3-Day service standards would be most appropriate to implement after those operational changes were completed, enabling us to consistently move mail between our processing plants.

18. Throughout the process, we focused on two objectives. The first was the Postal Service's primary realignment goal during Docket No. N89-1 -- improved consistency. The second was the 2-Day service standard definition. For each Processing Plant of origin, we looked beyond the overnight service areas that resulted from the completion of Phase 1. We then examined the remaining SCFs and ADCs to determine which ones were (a) within the home State and nearby States and (b) within reasonable reach of surface transportation. Having established minimum transportation windows available with which to transport mail, we decided upon a maximum 12-hour highway drive-time range by which to determine those destinations that would become part of the 2-Day service area for any Processing Plant of origin. The remaining 3-digit ZIP Code areas beyond 12 hours became part of the 3-Day service standard network. To ensure the Baldrige ideals of Alignment and Standardization, we built a computer model which used a customized transportation software package to determine reasonable and safe drive-times between postal facilities by which to even-handedly determine which pairs qualified for 2-Day service by using a formula that could be applied nationwide.

19. In January, 2000, we implemented the first of four subsets of finalized Phase 2 service standard modifications. The second and third subsets were implemented in September 2000, February 2001, respectively. The fourth, and final, implementation was completed on May 19, 2001.

20. The implementation of these finalized Phase 2 service standard modifications resulted in changes to approximately nine percent of the existing 849,106 possible 3-digit ZIP Code areas Origin-Destination pairs. A total of 27,095 pairs were downgraded from 2-Day to 3-Day service. At the same time, 49,348 pairs were upgraded from 3-Day to 2-Day service. The net result was that 22,253 more pairs were upgraded to 2-Day service than were downgraded to 3-Day service. The result is a net increase of 2.6 percent more originating-destinating pairs scheduled for 2-Day First-Class Mail service and a 0.6 percent increase in possible Business and Residential addresses scheduled for 2-Day service.

21. When one examines Library Reference DFC-2 and compares the former 2-Day and 3-Day service standard zones for each of the approximate 388 Originating Processing Plants (consisting of 177 Processing & Distribution Centers, 83 Processing & Distribution Facilities and 128 Customer Service Facilities), one will observe a general trend toward making the 2-Day zones more contiguous, consistent with the reasonable reach of surface transportation from each Processing Plant of origin and having less potential reliance upon air transportation. This was one of the explicit objectives of the plan reviewed in Docket No. N89-1.

22. In finalizing the implementation of the Phase 2 service standard changes, the Postal Service determined that the outer limits of 2-Day service standards should be based upon the reasonable projected maximum drive time (12 hours) for a truck carrying mail from an origin Processing and Distribution Center to a destinating Area Distribution Center, rather than applying one arbitrary distance to all points of origin, as was generally the case with the old 2-Day service standard definition: 600 mile radius from the origin Sectional Center Facility using surface transportation. The new definition allows us to take into account the practical realities associated with moving mail between particular Origin-Destination pairs by surface, such as various state highway speeds and road types, while not simply looking at the distance between Processing Facilities and establishing standards on that basis, as was generally the case in the past. Generally speaking, the current 2-Day service standard definition recognizes that not all 600 miles drives can take the same time and not all 12-hour drives can cover the same distance.

23. We employed the same criteria for finalizing the Phase 2 service standard changes for all 3-digit ZIP Code area origin-destination pairs, irrespective of the State or part of the country in which they were located.

24. During 1999 and 2000, Mr. Rapp, now the Vice-President, Delivery, and still the lead Vice-President in charge of finalizing the 2 & 3-Day Service Standard effort, Mr. Harris, the National Team, and myself traveled to all 10 postal Areas and provided senior management at all levels of the organization with an overview regarding the mail processing CT/CET standardization initiative and the service standard changes that were planned as a result. The graphic contents of our presentation, in the form of

PowerPoint slides, was given to the various management levels of our organization, and are reflected in the documents provided to Mr. Carlson in response to the Freedom of Information Act request described in paragraph 38 of his Complaint.

25. Paragraph 38 of the Complaint appears to suggest that the Phase 2 changes were implemented on the basis of the above-referenced PowerPoint presentation. However, while based on the principles outlined in that document, the actual changes resulted from a painstaking review of the service standards in effect for each 3-digit ZIP Code area of origin when we began in 1998. For over 3 years, I have spent the vast majority my time in front of a projection of the map of the First-Class Mail service standards from the USPS Service Standards CD-ROM and have worked closely with my colleagues to utilize software to consider appropriate service standard changes we thought were consistent with the spirit of the original Phase 2 objectives. A primary advantage offered by the Service Standards Mapping software is that it permitted us to manipulate the map and contemplate potential changes with some programming and "a click of the mouse," instead of poring over thousands of pages of documents that were generated in the earlier efforts to implement the realignment plan. The advances in computer technology since the initial service standard changes were begun in 1990-1991 now better facilitated our efforts to develop and apply uniform and consistent computer-modeled parameters to our 2 & 3-Day First-Class Mail service standards in our attempt to improve the consistency of the service we provide.

26. Generally, the process of determining what changes to make in the Phase 2 finalization differed from the process initially contemplated by Docket No. N89-1 witness Lazerowitz in several respects. The organization management structure had changed significantly since 1990. The Regional, Divisional and MSC functions had been superseded by the Area Office structure. The advent of the Service Standard Mapping Program allowed for more centralization in the determination of what changes to consider. This technology was not available for use in implementing the earlier Phase 1-2 efforts. The task could be now accomplished on a couple of desktop PCs, subject to consultation with Operations and Transportation Managers regarding the reasonable reach of surface transportation and the relative reliability of air transportation.

27. The movement of our more time-sensitive 2-Day mail volumes by air transportation over the last decade became less dependable, consistent with - or even worse than - the same declining trends in passenger air travel that are a well documented fact, and obvious to anyone who travels frequently by air. This consistent trend, not clearly evident during early 1990s, caused us to subsequently make trade-offs regarding our more distant 2-Day markets that necessitated timely air transportation vs. the expansion of 2-Day standards to nearby 3-Day markets, now made more reachable by the standardization of our Clearance Times and Critical Entry Times at our Processing Plants. In order to reach our goal of consistent and timely service to 2 & 3-Day mail, it was crucial that we have a reasonable expectation of meeting the more operationally time-sensitive 2-Day markets with a regularity that air transportation did not appear able to provide. While the substantial distances necessary to reach the majority of 3-Day markets in time for scheduled delivery still requires us to utilize air transportation in many such cases, our analysis determined that our best opportunity to stabilize and improve 2-Day performance resided in "tweaking" our transportation network to include the feasibility of reaching all of our 2-Day destinations via surface transportation in a reconfigured P&DC-to-ADC Surface Network. We therefore decided to use our model to expand our 2-Day reach to contiguous offices nearer the Processing Plant of Origin, consistent with the intent of the N89-1 realignment plan, and to exclude ADC offices beyond a modeled 12-hour drive time from 2-Day consideration.

28. In the intervening years since the original Docket No. N89-1 filing, we have conducted First-Class Mail service standard reviews as an ongoing process. However, these reviews have been on a case-by-case basis. They have usually been prompted by a request from an Area Office for the re-evaluation of the service standards for various 3-digit ZIP Code origin-destination pairs. The vast majority of those requests, usually asking for downgrades to service standards, have been denied. During the 1998-2001 period, we enacted a moratorium on service standard change requests, excluding those driven by the establishment of a new processing facility, or the activation, deactivation or change to a particular ZIP Code.

29. After the partially finalized 1990-91 service standard changes, we continued to have non-reciprocal service standards, which means, as indicated by

paragraphs 29-30 of the Complaint, that the service standard is not identical in both directions for a particular 3-digit ZIP Code origin-destination pair. Sometimes this non-reciprocity is caused by time-zone crossings, sometimes by our Network Structure of 177 Origin Processing & Distribution Centers, but only 88 destinating Area Distribution Centers. Or sometimes it is just the legacy of the way the service standards had been over the last 30 years. The inference in paragraph 31 of the Complaint is that our finalization of the Phase 2 service standard changes during Fiscal Years 2000-01 created these non-reciprocal examples when they did not exist before. However, the reality is that such isolated examples have always existed between 3-digit ZIP Code pairs. While some non-reciprocal pairs were, in fact, added due to the need for Operational and Transportation consolidations, our recent service standard changes actually decreased the previous number of non-reciprocal pairs from 71,382 to 38,584 pairs, a nationwide reduction of 46%. This results in much more consistent standards across the country vs. the results of the initial portion of the implementation of Phase 2. Upon lifting the moratorium on individual service standard changes in the future, we may well examine some of the remaining non-reciprocal pairs, such as those cited by Mr. Carlson, to see if any individualized adjustments would be appropriate to more closely align those specific standards.

30. Despite the implications made by the Complaint, the fact that a pair of 3-digit ZIP Code areas may be adjacent with contiguous borders says nothing about the location of the principal mail processing facility within each area. It does not address the distance between those facilities, whether they are in the same state or not, the volume of mail that flows between them, the availability of surface transportation between those plants, considerations of economy, scale and efficiency, or whether the postal processing and transportation network masses mail from each of those facilities at other, larger plants for processing, cross-docking, and transport to the respective destinating facilities. Considerations such as those listed above can dictate that mail destinating for an address in an adjacent 3-digit ZIP Code area must travel a seemingly circuitous route across State lines and through several mail processing plants and by air and/or truck over several days in order for the Postal Service to deliver it in an economical manner. Due to the operational and transportation realities existent in our

national network, it is frequently the case that our mail volumes do not always travel in the most direct manner from origin to destination.

31. The Complaint accurately cites, that in general, one of the results of our recent Phase 2 finalization was that more Western and Pacific Area origin-destination First-Class Mail shifted from 2-day to 3-day service, than occurred throughout the remainder of the country. However, the basis for this impact is simple and rational. There are greater distances to cover between 3-digit ZIP Code areas in States that are generally larger than others, States in which population centers are relatively farther apart than in other parts of the country, States with a preponderance of relatively large, sparsely populated 3-digit ZIP Code areas. There is also the inescapable fact that the continental 48 States are spread so far apart from West to East as to cover four different time zones. This is a factor that generally limits the West-to-East transportation window, relative to transportation moving in the opposite direction. With an eye on its maximum 3-day delivery standards for First-Class Mail, the Postal Service has developed a network of hundreds of originating and destinating concentration points through which it routes mail in an effort to provide relatively timely and consistent service. All of these variables complicate the integration of mail processing, transportation, and dispatch operations. All of these variables combine to result in postal managers having to meet different types and degrees of logistical challenges in different parts of the country.

32. The Complaint cites that in certain states, California, Nevada, Texas, Wyoming and Alaska, have origin-destination pairs within the home state that have a 3-Day standard. In each case where this situation exists, the intra-state destination fell outside the 12-hour 2-Day drive-time. California and Nevada now do have some pairs where this is the case. Prior to the 2000-2001 adjustments, Texas already had 3-Day Intra-state pairs, as they continue to have. Prior to the recent adjustments, Wyoming already had 11 Originating pairs that were 3-Day within the state, and the changes reduced that to 1 pair. The service standard adjustments made during 2000-2001 were applied to only the contiguous lower 48, so no changes were made to pairs in Alaska.

33. The complaint cites that in Alaska and Nevada there are some intra-state pairs that are 3-Days to the state capital. While this is correct, Alaska standards were

not changed, and those Nevada offices that are 3-Days were beyond the 12 hour drive-time, which was applied nationwide.

34. The Complaint specifically cites the non-reciprocity of the service standards between Ashland, Oregon and Yreka, California. While the two cities cited may actually be 33 miles apart, this statement is somewhat misleading. The mail from Yreka, California 960 is collected for processing in Redding CA 960 and the mail for Ashland, Oregon 975 collected for processing in Medford OR 975. The highway distance between the "parent" processing cities of Redding and Medford is actually 147.8 highway miles. While the cities of mail deposit may actually be only 33 miles apart, clearly the Commission is aware that the direct exchange of mail between every city, town and borough in every adjoining state in the country would be impractical and cost prohibitive. For this reason, we use centralized distribution processes in order to maximize the utilization of postal resources. In this instance, we agree with the complainant that the non-reciprocal standards between these "parent" offices does not appear logical. The disparity is because we chose not to make any downward adjustments to our existing Overnight Service Standards during our recent finalization of the Phase 2 service standard adjustments. The mail volume between all of the offices in the total 960 ZIP Code area going to all the ZIP Codes in the total 975 area averages less than three full postal trays of mail. The exchange of mail in the reverse direction is only about 2 trays of mail.

35. Prior to the recent adjustments, the Service Standards were not reciprocal. Redding to Ashland was, and still is, Overnight. Ashland back to Redding, however, was 2-Days. Since we were not downgrading Overnight mail during these most recent adjustments, the Redding to Ashland remained Overnight. The Ashland to Redding pair was, in fact, shifted to 3-Days. This is because 2-Day & 3-Day mail Originating in Ashland, OR collected and dispatched 14 miles to Medford OR, where it is postmarked. After initial processing it is dispatched to Portland OR, 285 miles away, for consolidation onto Originating transportation. The mail then would need to travel 666 miles from Portland OR to ADC Sierra CA (currently schemed to San Jose CA) for Destinating ADC processing. Our standard to qualify for 2-Day delivery is that the highway travel time from the Origin consolidation point (Portland) to the Destination

ADC (San Jose) has to be 12 hours or less. The trip between Portland OR to ADC Sierra CA takes 15 hours and 18 minutes, therefore, it falls into the 3-Day category. After the ADC processing is completed, the mail then needs to travel 249 miles to Redding for additional processing. When that is completed, the mail will then travel the 99 miles from Redding for final processing and delivery in Yreka, California. So while Ashland, Oregon and Yreka, California may be only 33 miles apart, you can see that the circuitous journey the mail actually makes is more in the neighborhood of 1,313 miles.

36. If we had included Overnight Standards as part of our recent adjustments, the Originating Service Standards would, very likely, have ended up as being 3-Days in both directions between Ashland, Oregon and Yreka, California, based on our processing network design.

37. Now that we have completed the finalization of Phase 2, we have no plans for the immediate future to make other changes to First-Class Service Standards, beyond routine maintenance resulting from issues such as ZIP Code changes, facility activations/deactivations, or other limited situations that occur on a case-by-case basis.

A handwritten signature in black ink, reading "Charles M. Gannon". The signature is written in a cursive style with a horizontal line underneath the name.

Charles M. Gannon